

INFILL IN EDMONTON

FINANCING YOUR REVENUE PROJECT 101

TOMMY KALITA, MORTGAGE SPECIALIST



THE PLAN

LAND ACQUISITION

BUILDING THE HOME

REFINANCING

FINAL NOTES



THE PLAN

THE PLAN

- Purchase a teardown in Ritchie
- Build a stylish mid-grade home designed to maximize cashflow
- Build a large garage with two separate bays
- Target a high quality, low maintenance demographic who will treat the home like their own
- As this is our first project, we do not want to ask for any variances that may cause hold-ups
- Have the home move-in ready within 9 months from original offer
- Refinance at completion to put cash back in our pockets

THE NUMBERS

COST

Land Cost:
\$310,000

Build Cost:
\$480,000

Total Cost:
\$790,000

Cash to Close:
\$165,500

AFTER 5 YEARS

Cumulative Total Gain:
\$112,786

Average Cash-on-cash ROI: 13.88%

Cumulative ROI: 69.39%



LAND ACQUISITION



RITCHIE TEARDOWN

33' wide rectangular lot on a quiet tree-lined street, relatively close to future LRT line.

List price: \$320,000

Accepted offer: \$310,000

Down payment: \$77,500

Land loan rate: 4.70%

Monthly payment: \$1,320

TIPS FOR BUYING LAND

- Understand what you want to build before you make an offer
- Sale price may not always match appraised land value
- 25% - 50% down payment requirement
- Try and negotiate an extended possession date
- You can rent the property month-to-month while you wait for permits
- Talk to neighbours, sometimes you can secure side-by-side lots
- Look for antiques



BUILDING THE HOME



THE HOME

Upstairs:

4 bedrooms/3 bathrooms

2,175 sqft

Basement:

2 bedrooms/1.5 bathrooms

1,085 sqft

2 garage bays with separate entrances

QUALIFICATION

Total Land + Build Cost:
\$790,000

Required Down Payment (20%):
\$158,000

New Mortgage:
\$632,000

Monthly Payment (2.44%):
\$2,816

Monthly Property Taxes: \$532

Estimated Heat: \$136

Total Qualifying Payment:

Monthly Rent:

Upstairs: \$2,750

Downstairs: \$1,500

Garage: \$300

Total: \$4,550

Qualifying Income:
\$120,000

Using 50% Market Rents:
\$46,600

TIPS FOR BUILDING

- Use a reputable builder who has experience with infill
- Community engagement is always a good idea
- Try to qualify without the use of market rents
- Work closely with your lender **before** making an offer
- You're building for cashflow, not to sell – choose finishes accordingly
- The builder is paid through a series of draws at different stages of construction
- Interest may be deducted from each draw, or you may be required to pay it monthly

PRO FORMA

Annual Rent: \$54,600

Annual Expenses:

Tax: \$6,387

Insurance: \$2,528

Management (10%): \$5,460

Vacancy (5%): \$2,730

Repairs (5%): \$2,730

Mortgage: \$33,794

Net Cashflow: \$971

Annual Market Appreciation: 2%

Annual Rent Inflation: 2%

By Year 5:

Average Cash-on-cash ROI: 13.88%

Cumulative ROI: 69.39%

Average Annual Total Gain:
\$22,557

Cumulative Total Gain:
\$112,786



REFINANCE



EQUITY TAKEOUT

Total build cost: \$790,000

Re-appraised value: \$810,000

80% Loan-to-value: \$648,000

Less existing: \$632,000

Balance: \$16,000

COMPARE

BEFORE

Investment Amount:
\$165,500

By Year 5:

Average Cash-on-cash ROI: 13.88%

Cumulative ROI: 69.39%

Cumulative Total Gain:
\$112,786

AFTER

Investment Amount:
\$149,500

By Year 5:

Average Cash-on-cash ROI: 15.08%

Cumulative ROI: 87.78%

Cumulative Total Gain:
\$131,239

FINAL NOTES

- Infill attracts a high quality tenant willing to pay premium rents
- There are numerous building forms that you can pursue, many of which may offer premium returns to this example
- Increasing density in mature neighbourhoods is a key priority of council, look for many new opportunities in the coming year
- Get involved! Register to receive updates from Evolving Infill or I.D.E.A. (Infill Association of Edmonton)



QUESTIONS?

TOMMY KALITA
MORTGAGE SPECIALIST

MOBILE 780-490-9570 | FAX 780-392-2825
ATB.COM